



July 25, 2006

SUBJECT: INFORMATIONAL REPORT – VACANCY AND RENT SURVEY**REPORT IN BRIEF**

The purpose of this report is to provide the City Council with the results of a Vacancy and Rent Survey completed during the month of June 2006. Vacancy and rent surveys are conducted twice annually, in June and December. Allowable initial rents for new BMR rental units are calculated every six months based on the results of the survey. Rental increases or decreases are calculated in January, based upon the last 12 months of survey data.

Information collected by this survey indicates a vacancy rate of 2.99% for apartment complexes in Sunnyvale. The two prior semi-annual surveys indicated a vacancy rate of 2.99% in December 2005 and 4.77% in June 2005.

Median annual rents increased from December 2005 to June 2006 by 9.33%. Initial base rents for new rental complexes are currently calculated at 80% of median rents; therefore, the new BMR rents for studio to three bedroom units would be \$680, \$880, \$1,097 and \$1,400, respectively.

BACKGROUND

The City conducts a vacancy and rent survey of rental properties in Sunnyvale twice annually, in June and December. The survey has served three purposes: (1) to establish the rental rate for new Below Market Rate (BMR) rental units, (2) to adjust rental rates on existing BMR rental units, and (3) to determine whether or not rental properties may be converted to condominium ownership.

On May 9, 2006, the City Council amended Municipal Code Section 19.70 to eliminate the restriction on conversion of apartment units to condominiums when the vacancy rate was three percent or less. In lieu of this restriction, a 175-unit limit was placed on conversions in any given 12-month period; conversion in excess of 175-units could be approved upon a finding that “the conversion will not adversely impact the community’s ability to provide housing for all economic segments of the community,” noting that the City “will consider the annual vacancy rate in making the Finding.” Therefore, the third purpose for the vacancy and rent survey remains, even though the vacancy data is used in a different manner in processing condominium conversion applications.

On February 4, 2003, City Council adopted Ordinance No. 2717-03 amending Chapter 19.66 of the Sunnyvale Municipal Code to require that the semi-annual

Vacancy and Rent Survey be used to determine whether rent increases will be allowed for apartments in the BMR Rental Program. The amended chapter requires that increases in rental prices “shall be either an increase of five percent or the increased percentage of average annual rent based on the Sunnyvale vacancy and rent survey, whichever is less.”

EXISTING POLICY

Housing and Community Revitalization Sub-Element - January 2002

Policy D.4 Provide a mixture of owner and rental housing opportunities by allowing conversion from apartments to condominiums or cooperatives when a benefit to the over-all city housing situation can be shown and when the citywide vacancy rate for rental units warrants.

Goal E Maintain and increase housing units affordable to households of all income levels and ages.

Policy E.1 Continue to require a mix in the price of housing units in new subdivisions and apartment complexes as a way of distributing low and moderate cost housing throughout the city.

Policy E.1.a Continue the Affordable Housing requirement in the zoning code.

DISCUSSION

In June, 2006, Realfacts conducted the semi-annual vacancy and rent survey for the City. In accordance with its contract, Realfacts surveyed approximately 15,000 rental units which are representative of all rental units in Sunnyvale.

The survey results show that out of a total of 104 complexes with 14,689 units, 343 units were vacant. This equals a vacancy rate of 2.99%, unchanged from the 2.99% vacancy rate in December 2005.

The survey also collected rental rate information which is summarized below:

June 2006 Rent Survey Results

	Low	High	Average Rent	Median Rent	Calculation of Initial BMR Rent
Studio	\$ 500	\$ 1,325	\$ 888	\$ 850	\$ 680
1 Bdrm	\$ 750	\$ 2,020	\$ 1,112	\$ 1,100	\$ 880
2 Bdrm	\$ 975	\$ 2,520	\$ 1,421	\$ 1,371	\$1097
3 Bdrm	\$ 1,250	\$ 3,010	\$ 1,874	\$ 1,750	\$1400

The Below Market Rate (BMR) Housing Program – Administrative Procedures for Renters includes two formulas to establish initial base rents in the BMR rental units, with the lower rent calculated to be used as the initial base rent. The first formula utilizes 30% of income of households earning 65% of HUD Area Median

Income (AMI), which would result in rents for a two-bedroom unit at \$1544.00 per month. The second formula utilizes this survey's results for current market median rents, with initial rents set at 80% of median rent. This formula would establish initial rents at \$1097.00 for a two-bedroom unit, which is used as the initial base rent because it is the lower of the two rent calculations. This results in a slight increase in the rental rate for new apartment complexes of \$680, \$880, \$1097, and \$1400, for studios, 1, 2, and 3 bedroom units, respectively.

A comparison of the Average Rents for June 2006 versus the Average Rents for December 2005 follows:

	December 2005	June 2006	% Rent Increase January – June 2006
Studio	\$ 829	\$ 888	7.12%
1 Bdrm	\$ 1,050	\$ 1,112	5.91%
2 Bdrm	\$ 1,359	\$ 1,421	4.57%
3 Bdrm	\$ 1,822	\$ 1,874	2.86%

The original BMR rental program allowed annual increases in existing BMR rents up to a maximum of one-twelfth of 25% of 80% of area median income. Beginning in 2001, when market rents declined dramatically but median income continued to increase, this formula resulted in BMR rents which actually exceeded market rents. Therefore, on September 30, 2003, City Council approved a rental formula to insure that BMR rents would not exceed 80% of median market rents. This revision, however, could not apply to existing rental complexes which had pre-existing BMR agreements with the City. Because rental increases or decreases are calculated in January based upon twelve months of survey data, no changes in rents of existing BMR units will be made at this time.

FISCAL IMPACT

No fiscal impact to the General Fund will result from the information provided.

CONCLUSION

The Vacancy and Rent Survey was completed as required. From January through June 2006 the vacancy rate was 2.99%. The median rents increased slightly, allowing for a slight increase in the initial BMR rents for new apartment complexes.

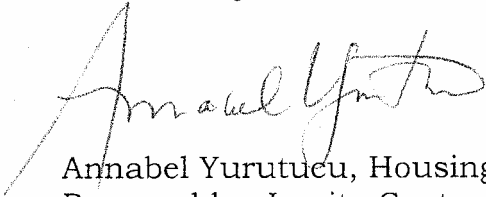
PUBLIC CONTACT

Public contact was made through posting of the Council agenda on the City's official notice bulletin board, posting of the agenda and report on the City web page, and the availability of the report in the Library and the City Clerk's Office.

RECOMMENDATION

No Action Required.

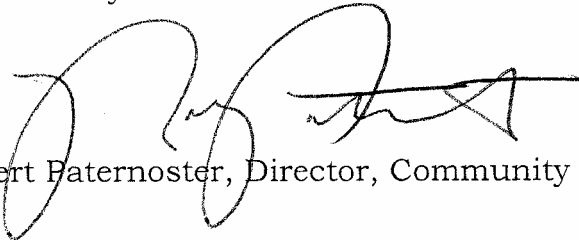
Reviewed by:



Annabel Yurutucu, Housing Officer

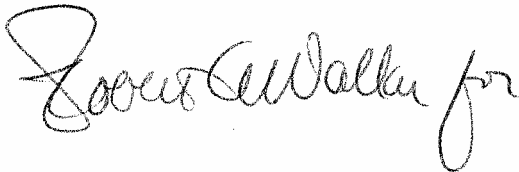
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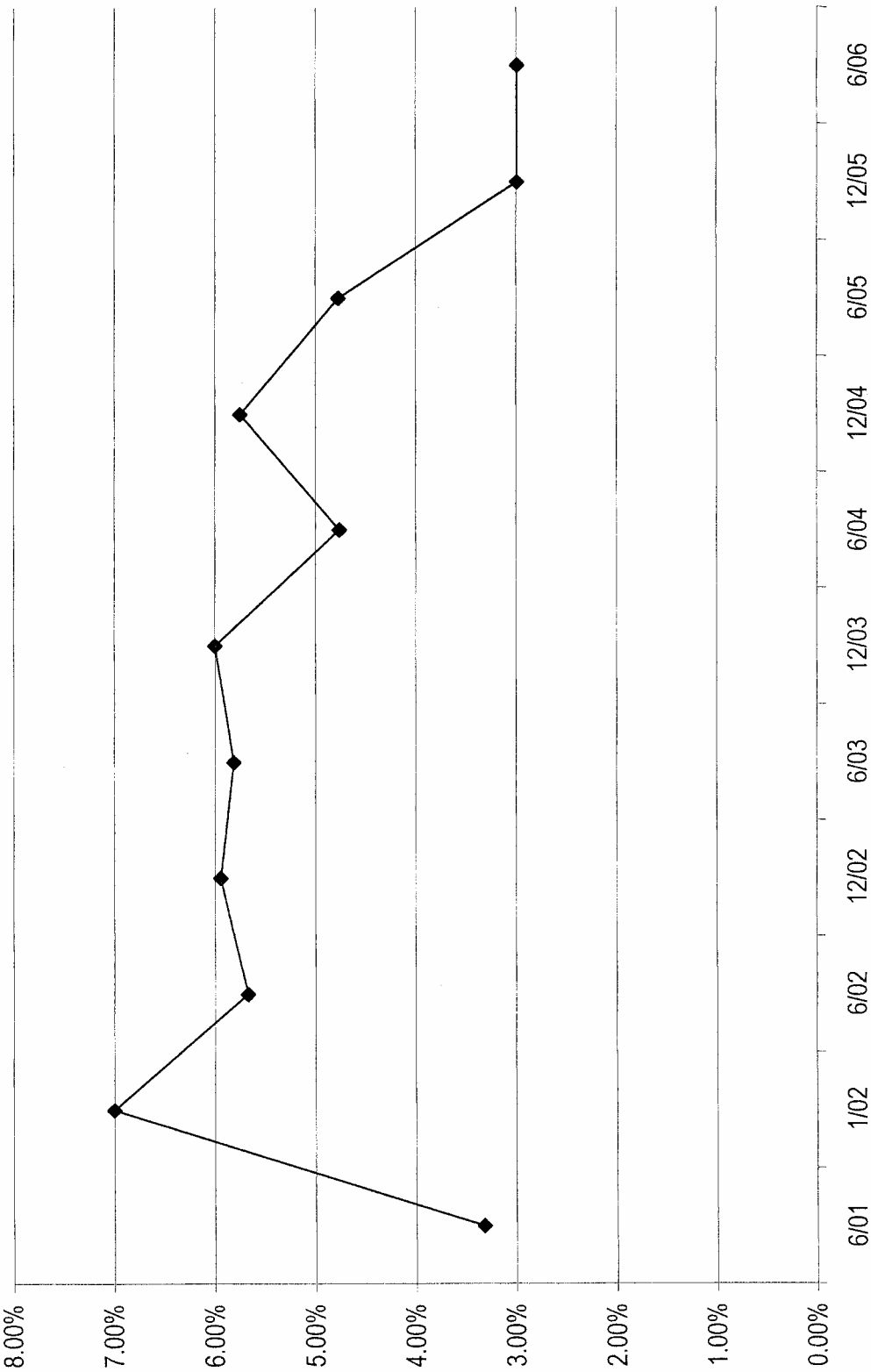


Amy Chan
City Manager

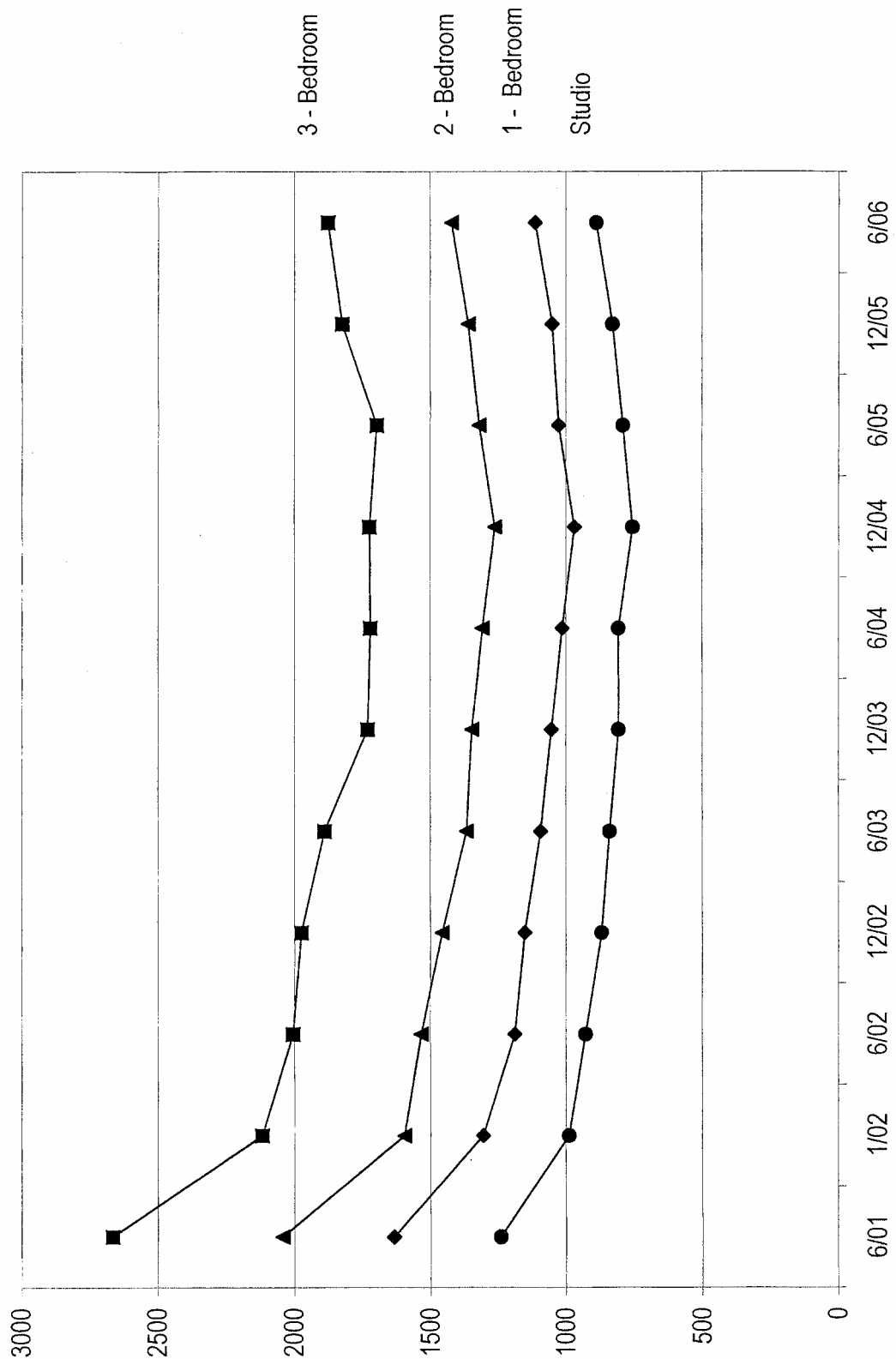
Attachments

- A. Vacancy Rate Graph 6/01-6/06
- B. Average Rent Graph 6/01-6/06
- C. Median Rent Graph 6/01-6/06

Vacancy Rate Graph 6/01 - 6/06



Average Rent Graph 6-01 - 6-06



Median Rent Graph 6-01 - 6-06

